

MTN sets sight on cementing relationship with Nigeria

MTN will take steps to repair its battered reputation not only in Nigeria, but across most of the 22 markets in which it operates. The company has been accused of avoiding tax by practising illegitimate transfer pricing, which moves profits from source to tax havens, thus robbing states of tax revenues.

By [Sikonathi Mantshantsha](#) 20 Jun 2016



Image by 123RF

Among the first steps to get back into the good books of regulators and the public, MTN will list its local unit on the Nigerian Stock Exchange "as soon as commercially and legally possible", it said last week.

The company reached agreement with the Nigerian Communications Commission to pay US\$1.67bn "in full and final settlement".

The fine will be paid in instalments until mid-2019. MTN was originally fined \$5.2bn last year for its failure to properly register all users of its network, or to disconnect those who were unregistered.

Nigeria later reduced the fine to \$3.9bn, but MTN pushed for more concessions, taking the matter to court. When a settlement was reached out of court last week, the market immediately gave its nod to the deal. The stock jumped 13.2%, to close at R140/share.

MTN's reluctance to list shares on the Nigerian bourse has always been one of the complaints by local politicians against the company.

Executive chairman Phuthuma Nhleko says more than a fifth of the company is already being traded over the counter in Nigeria, and that listing in that country "was always contemplated". "We'll only do that (the listing) when market conditions are sufficiently conducive."

The mechanisms of the proposed listing have not been worked out yet, but MTN will maintain a majority ownership in the listed unit. It is the first time MTN has given a firm commitment to floating the local unit.

When that comes to pass, it will be one of Nhleko's three major achievements (along with settling the fine and finding a new CEO) since he took over the reins at MTN after the unceremonious departure of former CEO Sifiso Dabengwa, under whose watch the group incurred the fine.

But first he has to find Dabengwa's successor, for which Nhleko has missed a self-imposed six-month deadline. MTN will probably make the appointment before the end of June, says Nhleko.

That MTN has still not been able to appoint a CEO, almost seven months after Dabengwa's departure, reveals its lack of proper succession planning.

Nhleko's assumption of an executive role also cements his role as the most dominant force on the MTN board over the past

15 years, during which he has twice served as chairman and twice as CE.

Asked about a succession plan, Nhleko says the group's plan isn't very different from those of many other companies. "But succession plans don't always work out in the manner that one envisaged," he says. It is not only succession plans that he has not always worked out for the group.

Across its markets - from Cote d'Ivoire to Uganda and elsewhere - MTN has been subjected to penalties for its failure to uphold various regulatory requirements, or has fallen on the wrong side of the law, which has dented the credibility of its management.

Many of the alleged offences occurred under the watch of Nhleko in both his roles. When asked about MTN's credibility, Nhleko takes a defensive stance.

"That's a statement you've made that I would not agree with," he says. "MTN Nigeria faced a specific set of circumstances that resulted in the fine and we've dealt with that. I wouldn't allow anyone to say that management is not credible," he says.

Whether or not that acknowledges the truth, investors hope the resolution of the Nigerian fine will free the company to focus on operational matters. That will help MTN regain lost ground, and also its status as the largest mobile operator in terms of market capitalisation, which it lost to Vodacom in May.

UPDATE: [MTN today, 20 June 2016, announced the appointment of a new CEO.](#)

Source: [Financial Mail](#)

For more, visit: <https://www.bizcommunity.com>